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Kannaway, LLC

General Hemp, LLC

HDDC Holdings, LLC

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

CannaVest Corporation, a Nevada  
corporation,

Plaintiff,

vs.

Kannaway, LLC, a California limited  
liability company; General Hemp, LLC,  
a California limited liability company;  
HDDC Holdings, LLC a Delaware  
limited liability company; and DOES 1-  
20;

Defendants.

Case No.: 14-cv-02160-CAB-BLM

KANNAWAY, LLC, GENERAL HEMP,  
LLC, AND HDDC HOLDINGS, LLC's  
COUNTERCLAIMS

(1) RECISSION

(2) UNFAIR COMPETITION UNDER  
§43 OF THE LANHAM ACT

(3) FRAUD

(4) DECLARATORY RELIEF

(5) UNFAIR BUSINESS PRACTICES  
CAL. BUS. AND PROF. CODE  
§ 17200, ET. SEQ.

JURY TRIAL DEMANDED

Kannaway, LLC, a California limited  
liability company; General Hemp, LLC,  
a California limited liability company;  
HDDC Holdings, LLC a Delaware



## THE PARTIES

4. Upon information and belief, Michael Mona, Jr. is an individual with a primary place of residence in San Diego, California. Michael Mona, Jr. is the Chief Executive Officer of CannaVest Corp.

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1 Cibaderm product. The new label contained the term “Cannabis Beauty.” The newly reformulated  
2 Cibaderm product bearing “Cannabis Beauty” was then sold to the public by HempMeds.

3 10. The trademark CANNABIS BEAUTY DEFINED was first adopted by HDDC and the line  
4 of products was developed and brought to market by their distributor, third party, HempMeds, in  
5 December 2013. The initial distributor for the CANNABIS BEAUTY DEFINED line was third party,  
6 HempMeds, who also helped adopt and develop the CANNABIS BEAUTY mark. HempMeds purchased  
7 the CBD oil need to manufacture the CANNABIS BEAUTY DEFINED product line from CannaVest.  
8 The CANNABIS BEAUTY DEFINED line of products was to then be marketed by Kannaway through  
9 various tradeshow and on its website.  
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11 11. It was around this time, that unknown to Counterclaimants, CannaVest, a wholesale  
12 supplier and producer of bulk hemp based products and oil, of which Michael Mona, Jr. is CEO, secretly  
13 applied for the CIBADERM® trademark with the USPTO. Importantly, CannaVest was originally  
14 founded and funded by Michael Llamas. The current CannaVest president, Michael Mona, Jr., who at the  
15 time was the best friend of Michael Llamas and is the Godfather of Mr. Llamas’ only child, was appointed  
16 to the position in CannaVest.  
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18 12. Thereafter, on or about December 2013, HDDC obtained the CANNABIS BEAUTY  
19 DEFINED mark (adopted and developed with the help of HempMeds) for its new CANNABIS BEAUTY  
20 DEFINED line of products which was to be designed and manufactured by HempMeds. To produce the  
21 product, HempMeds was required to purchase bulk hemp oil from CannaVest with which it would  
22 manufacture the CANNABIS BEAUTY DEFINED line. HempMeds negotiated with Michael Mona, Jr.  
23 for extended credit terms and an extended line of credit to purchase the Hemp oil from CannaVest and  
24 produce the Cannabis Beauty Defined products.  
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1           13.     The CANNABIS BEAUTY DEFINED mark was subsequently registered with the United  
2 States Patent and Trademark Office (“USPTO”) by HDDC and was placed on the Principal Register. On  
3 February 27, 2014, HDDC, owner of the CANNABIS BEAUTY DEFINED mark, exclusively licensed  
4 the CANNABIS BEAUTY DEFINED mark to Kannaway and General Hemp for a 1% royalty.  
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6           14.     It was in or around February 2014, when CannaVest improperly applied to register the  
7 mark CANNABIS BEAUTY at the USPTO. CannaVest fraudulently asserted it had superior rights to the  
8 CANNABIS BEAUTY mark and fraudulently submitted an application to register the mark with the  
9 USPTO. Both CannaVest and its principal, Michael Mona, Jr. were aware and therefore had notice of the  
10 Kannaway license issued in February 2014, and even assisted Kannaway in spending millions of dollars  
11 promoting the CANNABIS BEAUTY DEFINED product line, including appearing on stage with  
12 Kannaway at the Sheraton in Mission Valley, California at a product launching event hosted by Kannaway  
13 for the promotion of the CANNABIS BEAUTY DEFINED product line. Instead of respecting the  
14 Counterclaimant’s ownership and rights in these trademarks, CannaVest and Michael Mona, Jr.  
15 misappropriated the CANNABIS BEAUTY mark, and fraudulently represented to its legal counsel (legal  
16 counsel which simultaneously represented CannaVest, Medical Marijuana, Inc. and HempMeds PX, LLC)  
17 that the CANNABIS BEAUTY mark was in fact the property of CannaVest.  
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19           15.     The CANNABIS BEAUTY mark was subsequently recorded with the USPTO by attorney  
20 Barry Sloat. Counterclaimants had no opportunity to object to CannaVest’s improper trademark  
21 application because the CANNABIS BEAUTY mark was rejected by the USPTO for registration on the  
22 Principal Register for being descriptive and non-distinctive. Subsequent to CannaVest’s fraudulent  
23 application for the CANNABIS BEAUTY mark with the USPTO, continuous negotiations between  
24 CannaVest, Counterclaimants, MJNA, and HempMeds took place regarding the assignment of ownership  
25 of these marks, but to no fruition. It should be noted that CannaVest was originally founded by Michael  
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1 Llamas for the business of supplying bulk hemp oil. The Hemp oil was necessary for HempMeds to  
2 manufacture the Counterclaimants' consumer end products under the marks CANNABIS BEAUTY and  
3 CANNABIS BEAUTY DEFINED.

4  
5 16. Following the license by HDDC to Kannaway and General Hemp, HDDC subsequently  
6 assigned the CANNABIS BEAUTY DEFINED mark, as well as three additional proprietary and valuable  
7 marks, to CannaVest while under duress from CannaVest's CEO, Michael Moná, Jr., for the purported  
8 consideration of \$1.00, which has never been rendered to date. The consideration imposed (and never  
9 rendered) for these valuable marks is laughable and lends great merit to Counterclaimants' position that  
10 such Assignment by HDDC was orchestrated under the duress and undue influence of CannaVest and  
11 Michael Moná, Jr.  
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13 17. To coerce the assignment, in March of 2014, Michael Moná, Jr. made various threats and  
14 represented to Michael Llamas directly and through various innuendos, that crippling economic hardships  
15 would be imposed on HempMeds by CannaVest if the CANNABIS BEAUTY DEFINED trademark was  
16 not assigned to CannaVest. Michael Moná Jr., in his capacity as CEO of CannaVest, threatened to cut off  
17 oil supplies to Counterclaimant's distributor, HempMeds, putting HempMeds out of business, if the marks  
18 were not signed over. Such actions by CannaVest would directly impact the financial condition of the  
19 Counterclaimants; if their distributor had no oil to manufacture their products, Counterclaimants in turn  
20 would face tremendous hardship and economic loss. The acts of Michael Moná, Jr. and CannaVest  
21 constitute unfair competition.  
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24 18. The threats made by CannaVest and Michael Moná, Jr. were taken extremely seriously as  
25 the hemp oil purchased from CannaVest was crucial to the Counterclaimants' product line and income  
26 stream. Additionally, Mr. Llamas took the threats by Michael Moná, Jr. to be especially serious, as Mr.  
27 Llamas has firsthand knowledge of the results of the Nevada Gaming Control Board's investigation into  
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Mr. Mona, which found that Michael Mona, Jr. is closely associated with figures involved in organized crime, precluding Mr. Mona from being granted a gaming license in that state. Additionally, Mr. Mona made threats of violence and bodily harm towards the Counterclaimants. Counterclaimants are aware Mr. Mona has a history of violent behavior in the State of California, having been arrested for assault, giving further merits to the validity and severity of Mr. Mona's various threats.

19. Accordingly on March 12, 2014, while under extreme duress and undue influence on behalf of Plaintiff and Michael Mona, Jr., Michael Llamas Assigned the CANNABIS BEAUTY DEFINED, CANNABIS BEAUTY DEFINED and Design, HEMP CBD, and HEMP CBD Complex trademarks to CannaVest. The consideration for the assignment of these four very valuable marks was purportedly \$1.00, which has never been paid.

20. Moreover, CannaVest previously supplied the hemp oil used to make the CANNABIS BEAUTY DEFINED line to the Counterclaimants' distributor, third party HempMeds. CannaVest never previously engaged in direct retail sales until it breach its *Non-Exclusive Distribution Agreement* with Counterclaimants' distributor, HempMeds. Now, CannaVest claims to directly sell products to consumers, a contention that is directly contradicted by the *Corporate Summary and Subscription Documents of CannaVest Corp.* Indeed, as of October 29, 2013, when the document was prepared, CannaVest was a "supplier" of hemp oil and *not* in the retail beauty product at all industry. Furthermore, the *Corporate Summary and Subscription* documents go on to divide CannaVest's products into the following categories:

- 1) Health and Wellness
  - a. Over-the-counter (OTC)
  - b. Prescription medications
- 2) Bulk industrial hemp oil

3) Hemp fiber.

None of these categories describe “the business of developing, producing, marketing, and selling end-consumer products contains industrial hemp compounds with a focus on CBD” as stated in paragraph 15 of its Amended Complaint.

21. Moreover, in their current product portfolio, neither CANNABIS BEAUTY, nor CANNABIS BEAUTY DEFINED products were mentioned at all. The Cibaderm line of products mention in the CannaVest portfolio was initially created by MJNA and now appear to be the very same line that Plaintiff references in its Amended Complaint as a “hemp based line of beauty products (shampoo, conditioner, body wash, body lotion, hand cream and salve) under the brand name CANNABIS BEAUTY.” Indeed, CannaVest makes allegations that it launched the CANNABIS BEAUTY line in September of 2013, however in the *CannaVest Agenda for Annual Board Meeting* held on July 25, 2013, created just over one month before the purported launch, there was again no mention of the CANNABIS BEAUTY brand launch. This is because the CANNABIS BEAUTY and CANNABIS BEAUTY DEFINED marks did not belong to CannaVest and were not CannaVest’s to add to its portfolio. Rather, Counterclaimants held superior rights to these marks as they had developed and adopted the marks, in conjunction with third parties HempMeds and MJNA, and used the marks first in commerce.

### **CAUSES OF ACTION**

#### **RESCISSION (AGAINST CANNAVEST)**

22. Counterclaimants hereby incorporate paragraphs 1-21 of this Counterclaim as if fully set forth herein.

23. On or about March 12, 2014, CannaVest and Michael Mona, Jr. knowingly coerced and threatened Counterclaimants, which was a proximate cause for HDDC to transfer the CANNABIS BEAUTY DEFINED, CANNABIS BEAUTY DEFINED and Design, HEMP CBD and HEMP CBD



COMPLEX to CannaVest while under duress and undue influence on the part of Counterdefendants, and each of them.

24. On or about March 12, 2014, CannaVest and Michael Mona, Jr. knowingly made misrepresentations and threats to Counterclaimants, which was a proximate cause for HDDC to transfer the CANNABIS BEAUTY DEFINED, CANNABIS BEAUTY DEFINED and Design, HEMP CBD and HEMP CBD COMPLEX to CannaVest while under duress and undue influence on the part of Counterdefendants, and each of them.

25. Counterclaimants seek an order of recession returning the CANNABIS BEAUTY DEFINED, CANNABIS BEAUTY DEFINED and Design, HEMP CBD and HEMP CBD COMPLEX marks to HDDC. Additionally, Counterclaimants were harmed, and seek damages for the inducement of the fraudulent assignment agreement, as described above.

26. Through their conduct herein alleged, Counterdefendants acted with intentions of depriving Counterclaimants of their money and property, thereby justifying an award of punitive damages against Counterdefendants.

### **DECLARATORY RELIEF (AGAINST CANNAVEST)**

27. Counterclaimants hereby incorporate paragraphs 1-26 of this Counterclaim as if fully set forth herein.

28. Counterclaimants seek an order of relief from this Court declaring the Licensing Agreement executed between HDDC, General Hemp and Kannaway is valid and enforceable.

29. Counterclaimants seeks further orders declaring the assignment of the CANNABIS BEAUTY DEFINED, CANNABIS BEAUTY DEFINED and Design, HEMP CBD and HEMP CBD COMPLEX marks to CannaVest is void and unenforceable, including any registration thereof, due to the fraud and duress on the part of Counterdefendants.

**FRAUD**  
**(AGAINST ALL COUNTERDEFENDANTS)**

30. Counterclaimants hereby incorporate paragraphs 1-29 of this Counterclaim as if fully set forth herein.

31. In March of 2014, Michael Mona, Jr. and CannaVest acquired an Assignment of the CANNABIS BEAUTY DEFINED, CANNABIS BEAUTY DEFINED and Design, HEMP CBD and HEMP CBD COMPLEX marks through fraudulent and intimidating means, inducing Counterclaimant HDDC to assign over the marks through threats and coercion.

32. Counterdefendants' fraudulently asserted they had superior rights in the CANNABIS BEAUTY DEFINED, CANNABIS BEAUTY DEFINED and Design, HEMP CBD and HEMP CBD COMPLEX marks.

33. Through such fraudulent misrepresentations, Counterdefendants caused such marks to be registered to CannaVest improperly and fraudulently with the USPTO.

34. At the time Counterdefendants misrepresented the marks to be theirs, they knew the misrepresentations to be fraudulent and inaccurate.

35. Accordingly Counterclaimants, and each of them, have been damaged by the malicious and oppressive acts of Counterdefendants, in that they have lost the use of, and compensation derived from, the marks.

36. Through their conduct herein alleged, Counterdefendants acted with intentions of depriving Counterclaimants of their money and property, thereby justifying an award of punitive damages against Counterdefendants.

**UNFAIR COMPETITION**  
**(AGAINST ALL COUNTERDEFENDANTS)**

37. Counterclaimants hereby incorporate paragraphs 1-36 of this Counterclaim as if fully set forth herein.

38. Counterdefendants' conduct constitutes unfair competition in violation of Section 43 of the Lanham Act, 15 USC Section 1125(a).

39. As a direct and proximate result of the conduct of Counterdefendants' unfair competition, Counterclaimants have been harmed in an amount according to proof, and will suffer further, irreparable injury unless the requested relief is granted.

40. The conduct of Counterdefendants' is intentional, willful, wonton, malicious, oppressive and reckless, thus warranting enhanced and/or treble damages and attorney's fees pursuant to 15 U.S.C. Section 1117(a).

**UNFAIR BUSINESS PRACTICES**  
**(CAL. BUS. AND PROF. CODE § 17200, et. seq.)**  
**(AGAINST ALL COUNTERDEFENDANTS)**

41. Counterclaimants hereby incorporate paragraphs 1-40 of this Counterclaim as if fully set forth herein.

42. The Counterdefendant's acts hereinabove alleged are acts of unfair competition within the meaning of California Business and Professions Code Section 17200, et seq. including Section 17203.

43. As a direct and proximate result of the conduct of Counterdefendants' unfair business practices, Counterclaimants have been harmed in an amount according to proof, and will suffer further, irreparable injury unless the requested relief is granted.

44. As a direct, proximate, and foreseeable result of the Counterdefendants' wrongful conduct, as alleged above, Counterclaimants suffered loss of business and are entitled to relief, including full restitution and/or disgorgement of all revenues, earnings, profits, compensation, and benefits that may have been obtained by Counter-Defendants as a result of such unfair business acts or practices.

Furthermore, Counterdefendants must be enjoined from engaging in this wrongful conduct and from causing additional harm to Counterclaimants.

**PRAYER FOR RELIEF**

**WHEREFORE** Counterclaimants pray for judgment against Counterdefendants, and each of them, as follows:

A. That Counterdefendants be adjudged to have violated 15 U.S.C. § 1125(a) by unfairly competing against Counterclaimants;

B. That Counter-Defendants be adjudged to have unlawfully and unfairly competed against Counterclaimants under the laws of the State of California, Cal. Bus. & Prof. Code § 17200, et seq.;

C. That such damages and profits be trebled and awarded to Counterclaimants and that it be awarded its costs, attorneys' fees and expenses in this suit under 15 U.S.C. § 1117, as a result of Counterdefendants' willful, intentional, and deliberate acts in violation of the Lanham Act;

D. That Counterclaimants be awarded damages in an amount sufficient to compensate it for the damage caused by Counterdefendants' unfair competition under California Business and Professions Code §§ 17200 and 17203 et seq.;

E. That Counterclaimants be granted prejudgment and post judgment interest;

F. That Counterclaimants be granted attorney's fees;

G. That Counterclaimants be awarded Punitive damages for the malicious, wonton and willful conduct of Counterdefendants;

H. For general damages, including statutory damages, in a sum in excess of the jurisdictional minimum of this Court, according to proof;

I. For compensatory damages in excess of the jurisdictional minimum of this Court, according to proof;

J. For consequential damages in excess of the jurisdictional minimum of this Court, according to proof;

K. That Counterclaimants be granted costs associated with the prosecution of this action; and

L. That Counterclaimants be granted such further relief as the Court may deem just.

**COUNTERCLAIMANTS HEREBY DEMAND A JURY TRIAL IN THIS ACTION**

Respectfully Submitted,

GASTON & GASTON,  
A PROFESSIONAL LAW CORPORATION,

Date: February 20, 2015

By: /s/ Frederick W. Gaston, Esq.  
ATTORNEYS FOR COUNTERCLAIMANTS  
GENERAL HEMP, LLC, KANNAWAY, LLC,  
and HDDC HOLDINGS, LLC